

**SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998
SEPTEMBER 2000**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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Sheriff of Newport County
AGENCY FUNDS
Fiscal Year Ended June 30, 1998

EXECUTIVE SUMMARY

Our audit, for the fiscal year ended June 30, 1998, identified the following as areas for management's attention.

- A standard operating policies and procedures manual should be developed, implemented, and promulgated to the entire staff.
- Establish a formal accounting system that integrates the books of original entry with the general ledger.
- Implement the use of an accounts receivable control account to accommodate the reconciliation of subsidiary account balances.
- Reconcile subsidiary accounts receivable to the control account balance on a monthly basis.
- Update inventory listings on a continuous basis to reflect capital items acquired.
- A physical property inventory should be taken annually and a listing of property locations should be developed.

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998

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September 19, 2000

Mr. Norman J. Faria
High Sheriff of Newport County
State of Rhode Island

Dear Sheriff Faria:

We have completed an audit of the Sheriff of Newport County for the fiscal year ended June 30, 1998 in accordance with Sections 35-7-3 and 35-7-4 of the General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998

BACKGROUND

The state constitution provides that the governor appoint a sheriff for each county. The sheriffs or their deputies, as attaches of the courts, attend all sessions of the supreme, superior, family, and district courts. The sheriffs also attend the General Assembly when it is in session. Additionally, they execute all civil writs of process, summon witnesses to appear in court; transport prisoners and defendants to court and to state institutions; collect fees for services performed as officers of the courts; and perform all other duties assigned to them by law.

All sheriffs shall hold office for a period of ten years. Deputy sheriffs shall be appointed and/or promoted with the approval of the Governor. Each sheriff operates independently within their jurisdiction and reports directly to the Governor.

Summary of Selected Pertinent General Laws of Rhode Island

<u>Title</u>	<u>Chapter</u>	
42	29	Sheriffs
9	5	Writs, Summons and Process
9	26	Levy and Sale on Execution
9	29	Fees
10	5	Attachment
12	20	Costs
35	6	Accounts and Control

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998

AUDIT SCOPE AND PURPOSE

We conducted an audit of the operating practices and procedures in place at June 30, 1998 and an audit of the financial transactions and records for the agency funds of the Newport County Sheriff's Office for the fiscal year ended June 30, 1998.

Our audit extended to the following funds:

- Service Fee Fund
- Witness Fee Fund

The purpose of our audit was to determine whether:

- The Newport County Sheriff's Office complied with applicable state laws and established rules and regulations.
- The accounting systems and procedures were adequate, efficient, and effective.
- The operating procedures were conducted in an economical and efficient manner.
- Cash transactions were properly accounted for within a state authorized agency fund.



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Mr. Norman J. Faria
High Sheriff of Newport County
State of Rhode Island

We have audited the accompanying financial statements of the Sheriff of Newport County as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Newport County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the agency funds of the Sheriff of Newport County at June 30, 1998, and the cash receipts and disbursements for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the statements taken as a whole. The other financial information included in Schedules 1 and 2 of the report are presented for purposes of additional analysis and are not a required part of the combining financial statements of the agency funds of the Sheriff of Newport County. Such information has been subjected to the auditing procedure applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the combining financial statements taken as a whole.


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

September 12, 1998

EXHIBIT A

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
BALANCE SHEET
June 30, 1998

	SERVICE FEE FUND	WITNESS FEE FUND	TOTAL
<u>ASSETS</u>			
Cash	\$ 4,908.90		4,908.90
Imprest Cash		400.90	400.90
Accounts Receivable	<u>530.10</u>	<u></u>	<u>530.10</u>
TOTAL ASSETS	\$ <u>5,439.00</u>	<u>400.90</u>	<u>5,839.90</u>
<u>LIABILITIES</u>			
Advance from General Fund	\$ 4,908.90		4,908.90
Advance from Superior Court		400.90	400.90
Deferred Liabilities	<u>530.10</u>	<u></u>	<u>530.10</u>
TOTAL LIABILITIES	\$ <u>5,439.00</u>	<u>400.90</u>	<u>5,839.90</u>

See accompanying notes to financial statements.

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EXHIBIT B

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1998

	SERVICE FEE FUND	WITNESS FEE FUND	TOTAL
<u>CASH RECEIPTS</u>			
Service Fees	\$ 29,950.71		29,950.71
Insurance Settlements	689.02		689.02
Refunds	3,120.00		3,120.00
Receipts from Superior Court		1,500.00	1,500.00
Prior Years Stale Dated Checks	48.60		48.60
Miscellaneous	10.00		10.00
Total Cash Receipts	\$ 33,818.33	1,500.00	35,318.33
<u>CASH DISBURSEMENTS</u>			
Due to General Fund	\$ 29,514.81		29,514.81
Refunds	3,300.10		3,300.10
Insurance Settlements	689.02		689.02
Miscellaneous Expenses	429.26		429.26
Witness Fees		1,334.90	1,334.90
Bank Charges	15.00		15.00
Total Cash Disbursements	\$ 33,948.19	1,334.90	35,283.09
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(129.86)	165.10	35.24
Cash Balance, July 1	5,038.76	235.80	5,274.56
Cash Balance, June 30	\$ 4,908.90	400.90	5,309.80

See accompanying notes to financial statements.

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

Fund Accounting

The accounts of the Newport County Sheriff's Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. Only the agency funds are presented in the accompanying financial statements. A description of these funds is as follows:

Agency Funds - are used to account for assets held by the Sheriff as an agent for individuals, private organizations, the general fund, and/or other funds. The two types of agency funds maintained are:

- Service Fee Fund - is used to account for monies received for the execution of writs, services performed as an officer of the court, and other duties assigned by law.
- Witness Fee Fund - is used to disburse fees to witnesses for daily attendance before the supreme court or the superior court, or before any other tribunal or magistrate, including attendance in giving depositions.

Basis of Accounting

The accompanying financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency Funds are custodial in nature, accordingly; at any given point in time, total assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held.

Note 2 - Accounts Receivable

Accounts receivable are comprised of various fees that are due from attorneys and others. The present accounting system does not generate an accounts receivable control. Consequently, the allocation of changes in this account between balance sheet dates could not be determined.

Note 3 - Advance From General Fund

This account represents a non-current liability established to provide the necessary working capital to operate the Service Fees Fund.

Note 4 - Advances From Superior Court

The balance in this account represents the unexpended funds that were advanced from the Superior Court to pay witness fees.

Note 5 - Deferred Liabilities

For the purpose of financial statement presentation, this account represents a contra account to accounts receivable.

SCHEDULE 1

SHERIFF OF NEWPORT COUNTY
SERVICE FEE FUND
COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1998, 1997, AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>CASH RECEIPTS</u>			
Service Fees	\$ 29,950.71	28,357.50	33,691.50
Refunds	3,120.00	2,513.60	3,855.00
Insurance Settlements	689.02	1,296.74	1,776.69
Prior Year Stale Dated Checks	48.60		
Miscellaneous	<u>10.00</u>	<u>20.00</u>	<u>87.77</u>
TOTAL RECEIPTS	<u>33,818.33</u>	<u>32,187.84</u>	<u>39,410.96</u>
<u>CASH DISBURSEMENTS</u>			
Due to General Fund	29,514.81	31,828.24	29,961.52
Refunds	3,300.10	2,433.50	3,825.00
Bank Charges	15.00	20.00	5.00
Insurance Settlements	689.02	1,296.74	1,776.69
Miscellaneous Expenses	<u>429.26</u>	<u>407.16</u>	<u>383.20</u>
TOTAL DISBURSEMENTS	<u>33,948.19</u>	<u>35,985.64</u>	<u>35,951.41</u>
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	(129.86)	(3,797.80)	3,459.55
Cash Balance, July 1	<u>5,038.76</u>	<u>8,836.56</u>	<u>5,377.01</u>
Cash Balance, June 30	\$ <u><u>4,908.90</u></u>	<u><u>5,038.76</u></u>	<u><u>8,836.56</u></u>

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SCHEDULE 2

SHERIFF OF NEWPORT COUNTY
WITNESS FEE FUND
COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1998, 1997 AND 1996

	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>CASH RECEIPTS</u>			
Advances from Superior Court	\$ 1,500.00		1,500.00
Prior Year Stale Dated Checks			<u>172.37</u>
TOTAL RECEIPTS	<u>1,500.00</u>		<u>1,672.37</u>
<u>CASH DISBURSEMENTS</u>			
Witness Fees:			
Petit Jury	1,334.90	762.00	482.10
Newport County Grand Jury		<u>236.20</u>	
TOTAL DISBURSEMENTS	<u>1,334.90</u>	<u>998.20</u>	<u>482.10</u>
Excess (Deficiency of Cash Receipts Over Cash Disbursements	165.10	(998.20)	1,190.27
Cash Balance, June 1	<u>235.80</u>	<u>1,234.00</u>	<u>43.73</u>
Cash Balance, June 30	\$ <u><u>400.90</u></u>	<u><u>235.80</u></u>	<u><u>1,234.00</u></u>

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SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Standard Operating Procedures Manual

Our audit disclosed that the Sheriff's Office does not have a formal operating procedures manual; consequently, there are no written policies or procedures available to guide employees in selecting appropriate accounting procedures. This has led to employee uncertainty and the use of unnecessary and/or inappropriate procedures.

In our opinion, the lack of uniform procedures and management controls has significantly contributed to specific weaknesses that affect the accounting and administrative controls referred to in this audit.

Recommendation

1. A standard operating policies and procedures manual should be developed, implemented, and promulgated to the entire staff.

Fiscal Management

The Sheriff's Office does not maintain a formal accounting system for its service fee and witness fee funds. Accountability for transactions processed is performed primarily through the use of checking accounts while control over cash for each fund is attempted through monthly bank reconciliation's, since a formal general ledger is not maintained.

Recommendation

2. Establish a formal accounting system that integrates a general ledger with books of original entry (i.e., cash receipts and disbursements journal) to enhance accountability.

Control Over Accounts Receivable

The Sheriff's Office maintains an accounts receivable subsidiary ledger but does not maintain a formal control account to monitor the balance of receivables. The absence of this basis control mechanism diminishes the effectiveness of the present system. The establishment of a control account for receivables will enhance the existing record keeping and will facilitate the reconciliation of subsidiary balances to a control balance.

Recommendations

3. An accounts receivable control account should be established to enhance the present system used to account for receivables and to facilitate the reconciliation of subsidiary account balances.
4. Perform monthly reconciliations between the subsidiary ledger and the control account and resolve differences that are discovered.

Property Management

Section E-11 of the Department of Administration's Procedural Handbook requires all state departments and agencies to take a physical inventory of its properties periodically, but in no case less frequently than once each year.

This requirement is necessary to determine whether or not property is located where records indicate it should be and to verify its existence. At the time of our audit, we were unable to verify inventory items because the Sheriff's Office does not maintain an updated inventory listing.

Recommendations

5. Update inventory listings on a continuous basis to reflect capital items acquired.
6. A physical property inventory should be taken no less than annually and a listing should be developed to identify their locations.